

STATE PROCUREMENT OFFICE PREFERENCES – STATE OF HAWAII

PREFERENCE	PURPOSE/BACKGROUND	APPLICATION	EVALUATION
Hawaii Products (Ref. 103D-1002, HRS & Chapter 124, Subchapter 1, HAR)	Promote use of registered products mined, excavated, manufactured, raised, or grown in Hawaii with value as follows: 3% for Class I products (25% or more, but less than 50% value added in-state); 5% for Class II products (50% or more, but less than 75% value added in-state); and 10% for Class III products (75% or more value added in-state).	Applies to sealed bids and proposals	Decrease price of Hawaii product by 3%, 5%, or 10%
Printing, Binding and Stationery Work (Ref. 103D-1003, HRS & Chapter 124, Subchapter 2, HAR)	Promote use of businesses performing the work in Hawaii. Applies to all bidders not performing the work in Hawaii if their price is lower than the price of work performed in Hawaii.	Applies only to sealed bids	Increase price of bidder not performing the work in Hawaii by 15%
Reciprocal (Ref. 103D-1004, HRS & Chapter 124, Subchapter 3, HAR)	Ensure fair and open competition for Hawaii businesses contracting with the State. Reciprocal law applies to bidders from states that apply preference. Preference shall be equal to the preference the out-of-state bidder would receive in own state or shall be in the amount the out-of-state preference exceeds comparable Hawaii preference.	Applies only to sealed bids from out-of-state bidders that have preference against Hawaii bidders	Increase out-of-state bidder's price
Recycled Products (Ref. 103D-1005, HRS & Chapter 124, Subchapter 4, HAR)	Promote the use of Recycled products.	Applies only to sealed bids	Increase price of non-recycled product by at least 5% or as specified in the invitation for bids
Software Development Business (Ref. 103D-1006, HRS & Chapter 124, Subchapter 5, HAR)	Promote Hawaii software development businesses principally located in-state, with 80% of labor for software development performed by persons domiciled in Hawaii. "Software development business", includes any work related to feasibility studies, systems analysis, programming, testing or implementation of an electronic data processing system.	Applies to sealed bids and proposals	Increase non-Hawaii company price by 10%

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Taxpayer (Ref. 103D-1008, HRS & Chapter 124, Subchapter 7, HAR)	Ensure fair competition for bidders paying the applicable Hawaii general excise and applicable use taxes by penalizing bidders exempt from paying the taxes.	Applies only to sealed bids	Increase exempt bidder's price by applicable general excise and applicable use tax
Qualified Community Rehabilitation Programs (Ref. 103D-1009, HRS & Chapter 124, Subchapter 8, HAR)	Promote use of goods and services of qualified community rehabilitation programs located in Hawaii.	Applies to sealed bids and proposals	Increase non-qualified bidder's price by the percentage allowed under section 103D-1009, HRS, currently 5%
Biofuel (Ref. 103D-1012, HRS)	Promote the use of biodiesel or biofuel for diesel engines or boilers.	Applies only to sealed bids	Increase price of non-biodiesel or non-biofuel by five cents per gallon

Procedures When More Than One Preference Applies:

Should more than one preference allowed by statute apply, the evaluated price shall be based on application of applicable preferences in the order specified below. The preferences (1) through (8) in this subsection shall be applied to the original prices. The sum of the preferences, where applicable, shall be added to the original price, except that preference (1) shall be subtracted from the Hawaii products price.

- (1) Hawaii products list, pursuant to section 103D-1002, HRS;
- (2) Tax adjustment for tax exempt offerors, pursuant to section 103D-1008, HRS;
- (3) Preferred use of Hawaii software development businesses, pursuant to section 103D-1006, HRS;
- (4) Recycled products, pursuant to section 103D-1005, HRS;
- (5) Reciprocal preference, pursuant to section 103D-1004, HRS;
- (6) Printing, binding, and stationery work within the State, pursuant to section 103D-1003, HRS;
- (7) Preference for persons with disabilities, pursuant to section 103D-1009, HRS.
- (8) Biofuel preference, pursuant to section 103D-1012, HRS.

Should the price comparison for bids submitted pursuant to section 103D-302, HRS, after taking into consideration all applicable preferences, result in identical total prices, award shall be made pursuant to section 3-122-34, HAR.

EXAMPLE of the Tax preference and Printing, Binding, and Stationery Work preference:

Offers are submitted by a tax exempt bidder and a taxpaying bidder. The tax exempt bidder who is not required to pay the Hawaii General Excise tax will also have the printed material printed outside of Hawaii. The taxpaying bidder will print the material in Hawaii and is required to pay the Hawaii General Excise Tax. The Tax preference and the Printing, Binding, and Stationery Work preference increases the evaluated price of the tax exempt bidder.

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Tax Exempt Bidder:	\$100	Bid Price
	+ 4	Tax Preference (\$100 x 4%)
	+ 15	Printing, Binding, and Stationery Work Preference
		<u>(\$100 x 15%)</u>
	\$119	Evaluated Bid Price

Tax Paying Bidder: \$110 Bid Price

Award is made to the Tax Paying Bidder with the price of \$110 even though it's bid price is higher than the tax exempt bidder's price of \$100.

For more information, call (808) 586-0577.